

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited  
(Limited by Guarantee)

Financial Statements as of 31<sup>st</sup> December, 2015  
Together with Directors' and Auditor's Reports



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# The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

(Incorporated in Hong Kong and limited by guarantee)

## Report of the Directors

The directors present their annual report together with the audited financial statements of the Company for the year ended 31<sup>st</sup> December, 2015 ("the Period").

### Registered Office

The address of the Company's registered office is 118 Gloucester Road, Wanchai, Hong Kong.

### Principal Activities

The principal activities of the Company during the Period were the administration of the temporal affairs of the Company under the direction of the Area Presidency to accomplish the following principal objectives:-

1. to proclaim the gospel of Jesus Christ;
2. to carry out the construction and maintenance of places of worship;
3. to provide religious instruction and literature; and
4. to encourage learning and provide educational assistance.

### Business Review

The Company is acted as the headquarters within the Asia area which is supervised by The Church of Jesus Christ of Latter-day Saints. The Company will follow the manual developed by the headquarters, to enhance its governance through financial management, human resource management, as well as corporate governance and accountability.

The Company is funded by The Church of Jesus Christ of Latter-day Saints and also its local fund. The Company does not engage in any form of liability, therefore there are insignificant business risk regarding the office's operation.

During the Period, the Company acquired a land in Macau as a gathering place for the members of The Church of Jesus Christ of Latter-day Saints. The major funding of the acquisition was from the overseas donation. Therefore, the overseas donation increased from approximately HKD64,061,000 in 2014 to approximately HKD263,322,000 in 2015. Certain rental income contracts were accompanied with the land acquisition. As a result, the rental income increased in 2015. The Company will continue to receive the rental income until the contract is over. The income producing property will then be transformed to a chapel of the Company for own use. On the other hand, the expenditures of the Period did not have a significant increase compared with previous period, except for the depreciation which was caused by the Macau land being purchased in 2015. No subsequent event was taken place after the Period.

The goal of the Company is to continue to support The Church of Jesus Christ of Latter-day Saints to increase its memberships in the Asia area. The Company will remain the same structure and focus on cost control in order to provide resources for achieving the goal of the Company.

### Results of Operations

The Company's results for the Period and the state of affairs of the Company as at that date are set out in the financial statements on pages 5 to 22.

### Debentures

No debentures was issued during the Period.

### Equity-Linked Arrangements

During the Period, the Company entered into no equity-linked agreement. At the end of the Period, the Company subsisted no equity-linked agreement.

### Restricted Funds

Movements in restricted funds during the Period are set out in the statement of changes in accumulated funds.

### Property, Plant and Equipment

Movements in property, plant and equipment during the Period are set out in Note 19 to the financial statements.

### Directors

The directors of the Company who held office during the Period and up to the date of this report were:-

	<u>Appointment date</u>	<u>Resignation date</u>
Randy Dennis Funk		
Wong Chi Hong		
David F. Evans	1 <sup>st</sup> August, 2016	
Gerrit W. Gong		4 <sup>th</sup> January, 2016
Joseph Jay Crandall	28 <sup>th</sup> May, 2016	31 <sup>st</sup> July, 2016
Pon Siu Hong	4 <sup>th</sup> January, 2016	28 <sup>th</sup> May, 2016

In accordance with the Company's Articles of Association, the current directors are required to retire after a term of 3 years. Randy Dennis Funk is due to retire and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

The Company received no notice in writing from any of the directors who resigned during the Period that their resignations were due to reasons relating to the affairs of the Company.

### Directors' Material Interests in Transactions, Arrangements and Contracts

None of the directors had a material interest in any significant transactions, arrangements or contracts, either directly or indirectly to which any of the Group Companies was a party at the end of the Period or at any time during the Period. The term "Group Companies", where appropriate, includes holding company, subsidiaries and fellow subsidiaries of the Company.

### Directors' Interests

At no time during the Period was the Company or any of its Group Companies a party to any arrangements to enable any of the directors of the Company to obtain benefits by means of acquisition of shares in, or debentures of, the Company or any other corporation.

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

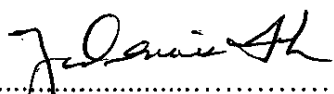
### Permitted Indemnity Provisions

At no time during the Period and up to the date of this report were there any permitted indemnity provisions in force for the benefit of one or more directors of the Company.

### Auditors

The financial statements for the Period have been audited by Aoba CPA Limited. Aoba CPA Limited has expressed its willingness to continue in office and the Board recommends that it be reappointed. A resolution proposing the reappointment of Aoba CPA Limited as auditor of the Church and giving authority to the directors to determine its remuneration will be submitted to the forthcoming annual general meeting.

Signed for and on behalf of  
the board of directors

  
.....  
Randy Dennis Funk

Hong Kong,

19<sup>th</sup> August, 2016

# Aoba CPA Limited

## 青葉會計師有限公司



Independent Auditor's Report to the Members of:-  
The Church of Jesus Christ of Latter-day Saints Hong Kong Limited  
(Incorporated in Hong Kong and limited by guarantee)

### Report on the financial statements

We have audited the financial statements of the Company set out on pages 5 to 22, which comprise the balance sheet as at 31<sup>st</sup> December, 2015, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the Period then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report solely to you, as a body, in accordance with section 405 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for qualified opinion

#### 1. Corresponding figures

Our audit opinion on the financial statements of the Company for the period ended 31<sup>st</sup> December, 2014, which form the basis for the corresponding figures present in the financial statements for the Period, was modified because of the limitation on scope of our audit in respect of the income from local voluntary donations. Our opinion on the financial statement for the Period is also modified because of the possible effects of this matter on the comparability of the figures for the Period and the corresponding figures.

#### 2. Income from local voluntary donations

The Company, in common with many other churches of similar size and organisation, derives a significant proportion of its income from local voluntary donations which cannot be fully controlled until they are entered in the accounting records. While the Company's officers believe that the accounting systems and internal controls in use are appropriate in the circumstances, the controls are, however, not capable of independent audit verification for the Period.

Any adjustment found to be necessary would affect the net assets as at 31<sup>st</sup> December, 2015 and the results and cash flows for the Period then ended.

### Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December, 2015, and of its financial performance and cash flows for the Period then ended in accordance with HKFRS and have been properly prepared in compliance with the Companies Ordinance.

### Report on other matters under sections 407(2) and 407(3) of the Companies Ordinance

#### Matters on which we are required to report by exception

In accordance with the Companies Ordinance, we have the following matters to report. In our opinion, in respect alone of the limitation on our work as referred to in the preceding paragraphs:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

*Aoba CPA Limited*

Aoba CPA Limited  
Certified Public Accountants  
Gary Y.L. Chan  
Practising certificate number: P04145

Hong Kong,

19<sup>th</sup> August, 2016

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

Statement of Comprehensive Income for the Period Ended 31<sup>st</sup> December, 2015

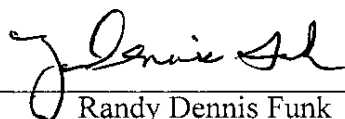
	<u>Notes</u>	<u>2015 HKD'000</u>	<u>2014 HKD'000</u>
Income	7	327,943	125,746
Expenses		(136,408)	(130,211)
Surplus/(Deficits) before taxation	4	191,535	(4,465)
Taxation	5	0	0
Surplus/(Deficits) for the Period		191,535	(4,465)
Other comprehensive income after taxation:-			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	6, 10	(451)	(1,531)
Total comprehensive income for the Period		191,084	(5,996)

The accompanying notes are an integral part of these financial statements

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

Balance Sheet as at 31<sup>st</sup> December, 2015

	<u>Notes</u>	<u>2015 HKD'000</u>	<u>2014 HKD'000</u>
<u>Non-current assets</u>			
Property, plant and equipment	19	495,460	306,014
Long-term inter-church receivables	9	227,587	230,229
		<u>723,047</u>	<u>536,243</u>
<u>Current assets</u>			
Sundry receivables		5,062	4,309
Cash and bank balances		7,008	2,551
		<u>12,070</u>	<u>6,860</u>
<u>Current liabilities</u>			
Creditors and accruals		(2,386)	(2,797)
Retirement benefit obligations	10	(2,623)	(1,282)
		<u>(5,009)</u>	<u>(4,079)</u>
Net current assets		<u>7,061</u>	<u>2,781</u>
Net assets		<u>730,108</u>	<u>539,024</u>
Accumulated funds		<u>730,108</u>	<u>539,024</u>



Randy Dennis Funk  
Director



Wong Chi Hong  
Director

The accompanying notes are an integral part of these financial statements



The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

Statement of Changes in Accumulated Funds for the Period Ended 31<sup>st</sup> December, 2015

	Accumulated funds <u>HKD'000</u>
Balance at 31 <sup>st</sup> December, 2013	545,020
Total comprehensive income for the period	(5,996)
Balance at 31 <sup>st</sup> December, 2014	539,024
Total comprehensive income for the Period	191,084
Balance at 31 <sup>st</sup> December, 2015	<u>730,108</u>

The accompanying notes are an integral part of these financial statements

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

Statement of Cash Flows for the Period Ended 31<sup>st</sup> December, 2015

	2015 HKD'000	2014 HKD'000
Cash flows from operating activities:-		
Surplus/(Deficits) before taxation	191,535	(4,465)
Adjustments for:-		
Depreciation	32,987	22,767
Gain on disposal on property, plant and equipment	0	(67)
Employee benefit	(638)	(834)
Interest income	(1)	(1)
Exchange difference	2,642	(563)
Operating cash flows before working capital changes	226,525	16,837
Movements in:-		
Sundry receivables	(753)	(384)
Creditors and accruals	(411)	(824)
Retirement benefit obligations	1,528	1,715
Net cash generated from operating activities	226,889	17,344
Cash flows from investing activities:-		
Interest received	1	1
Purchase of property, plant and equipment	(222,433)	(19,332)
Proceeds from disposal of property, plant and equipment	0	67
Net cash used in investing activities	(222,432)	(19,264)
Net increase/(decrease) in cash and cash equivalents	4,457	(1,920)
Cash and cash equivalents at:-		
Beginning of Period	2,551	4,471
End of Period	7,008	2,551
Analysis of the balance of cash and cash equivalents:-		
Cash and bank balances	7,008	2,551

The accompanying notes are an integral part of these financial statements

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited

Notes to the Financial Statements

2015

(Amounts expressed in Hong Kong dollars)

1. General Information

The Church of Jesus Christ of Latter-day Saints Hong Kong Limited (“the Company”) is incorporated in Hong Kong with limited liability. The address of the registered office and the principal place of business of the Company is 118 Gloucester Road, Wanchai, Hong Kong.

The principal activities of the Company during the Period were the administration of the temporal affairs of the Company under the direction of the Area Presidency to accomplish the following principal objectives:-

1. to proclaim the gospel of Jesus Christ;
2. to carry out the construction and maintenance of places of worship;
3. to provide religious instruction and literature; and
4. to encourage learning and provide educational assistance.

2. Terms of Guarantee

Under the provisions of the Company’s Memorandum of Association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liabilities of the Company but not exceeding HKD20 per member.

3. Principal Accounting Policies

3.1 Statement of Compliance

The financial statements have been prepared in accordance with all applicable HKAS, HKFRS and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared in compliance with the Companies Ordinance.

3.2 Basis of Preparation

The financial statements are prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

During the Period, the following amendments to HKFRSs issued by the HKICPA were adopted:

HKAS 19 (Amendments)	Employee benefits: Defined benefit plans: Employee contributions
HKFRSs (Amendments)	Annual improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of the amended standards has no material effect on the financial statements of the Company for the current and prior accounting periods.

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the Period and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application.

### 3.3 Recognition of Income

Overseas contribution after deducting expatriate expenses is recognised when received. Donation income is recognised when received.

Income from sale of religious publications and garments is recognised when the risks and rewards of ownership of the goods are passed to customers.

Rental income is recognised on a straight line basis over the term of the relevant lease.

Interest income is recognised on a time proportion basis.

### 3.4 Foreign Currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the statement of comprehensive income.

### 3.5 Operating Leases

Leases where substantially all the rewards and risks of the ownership of assets remain with the leasing company are accounted for as operating leases. Payments in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the periods of the respective leases.

### 3.6 Publications and Garments

The cost of religious publications and garments is written-off to the statement of comprehensive income when incurred.

### 3.7 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is calculated to write off the cost of each asset over its estimated useful life on a straight line basis. The principal annual rates are as follows:-

Land and buildings	5% or at a percentage equals to the reciprocal of the unexpired lease period of the leasehold land, whichever is larger
Furniture and fixtures	33.3%
Data processing equipment	33.3%
Motor vehicles	33.3%

This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful life is less than previously estimated life.

Gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset and is recognised in the statement of comprehensive income on the date of retirement or disposal.

### 3.8 Retirement Costs

Both defined contribution and defined benefit retirement schemes are operated for the employees. The assets of the schemes are generally held in separate trustee-administered funds.

Contributions paid to a defined contribution provident fund retirement scheme are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable.

Contributions paid to a defined benefit retirement scheme are charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of the qualified actuaries who carry out a full valuation of the scheme on an annual basis. The scheme obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and terms similar to the estimated term of benefit obligations. Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

### 3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 3.10 Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### 3.11 Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### 3.12 Critical Accounting Judgements and Estimates

In the process of applying the Company's accounting policies, the management has made the following accounting judgements:-

#### Retirement benefits

The Company employs independent valuation professionals to conduct annual assessment of the actuarial position of the Retirement Benefit Scheme. The determination of the Company's obligation and expenses for the defined benefit element of the plan is dependent on certain assumptions and factors provided by the Company, which are disclosed in Note 10 to these financial statements.

## 4. Supplemental Information

The results before taxation is arrived at after charging the following items:-

	2015 <u>HKD'000</u>	2014 <u>HKD'000</u>
Auditor's remuneration	139	126
Depreciation	32,987	22,767
Operating lease rental on premises	12,497	12,630
Retirement costs	2,720	3,052
Staff costs, excluding directors' remuneration and retirement costs	64,611	63,832

5. Taxation

The Company is exempted from the profits tax by reason of its charitable status under Section 88 of the Inland Revenue Ordinance.

6. Disclosure of Tax Effects Relating to Components of Other Comprehensive Income

No disclosures of tax effects have been made as there were no tax benefits or tax expenses relating to the components of other comprehensive income during the Period.

7. Income

	2015 HKD'000	2014 HKD'000
Overseas contributions	263,322	64,061
Local donations received	59,061	59,452
Exchange gain	0	544
Religious publications and garments sales	461	1,022
Rental income	4,777	592
Interest income	1	1
Sundry income	321	7
Gain on disposal of property, plant and equipment	0	67
	<u>327,943</u>	<u>125,746</u>

8. Directors' Emoluments, Benefits, Loans and Other Material Interests

Emoluments of the directors of the Company disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:-

	2015 HKD'000	2014 HKD'000
Fees, salaries, bonuses, allowances and other benefits	0	0
Contributions to retirement benefit schemes	0	0
Fees	<u>0</u>	<u>0</u>

During the Period, there are no retirement benefits paid to any director in respect of their services in connection with the management of the affairs of the Company (2014: Nil).

During the Period, there are no termination benefits paid in respect of the termination of services of directors of the Company (2014: Nil).

There were no loans, quasi-loans or other dealings in favour of the directors of the Company, their controlled bodies corporate or their connected entities subsisted during the Period.

There were no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

9. Long-term Inter-church Receivables

The amount represents balances with fellow churches which are engaged in activities similar to that of the Company's and are under the same control.

These loans represent an amount of approximately HKD228 million (2014: HKD230 million) which are unsecured, interest-free and have no fixed term of repayment.

10. Retirement Benefit Obligations/Assets

The Company participates in a defined benefit scheme which is registered under the Occupational Retirement Schemes Ordinance ("ORSO") and is an exempted scheme under the Mandatory Provident Fund Schemes (Exemption) Regulation. The Company has an obligation to ensure there are sufficient funds in the scheme to pay the benefits earned. The Company currently contributes 6.4% (2014: 7.8%) of the total salaries of participating employees as determined and approved.

The defined benefit scheme is funded by contributions from the Company in accordance with an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the scheme as at 31<sup>st</sup> December, 2015 was performed by Towers Watson Hong Kong Limited, using the projected unit credit method. The actuarial valuation indicates that the Company's obligations under the defined benefit retirement scheme are 93% (2014: 97%) covered by the plan assets placed with the government institution.

The amount recognised in the balance sheet is as follows:-

	<u>2015</u> <u>HKD'000</u>	<u>2014</u> <u>HKD'000</u>
Present value of defined benefit obligations	(38,446)	(47,885)
Fair value of scheme assets	35,823	46,603
Net liability recognised in the balance sheet	<u>(2,623)</u>	<u>(1,282)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:-

	<u>2015</u>	<u>2014</u>
Equities	61%	61%
Fixed income securities	32%	35%
Cash	7%	4%
	<u>100%</u>	<u>100%</u>

Movements in the present value of the defined benefit obligations:-



The following table indicates the approximate change in the defined benefit obligation as at 31<sup>st</sup> December, 2015 in response to reasonably possible changes in the significant actuarial assumptions to which the defined benefit obligation is most sensitive.

	2015 HKD'000	2014 HKD'000
At the beginning of the Period	47,885	52,439
Current service cost	1,781	2,129
Interest cost	650	806
Actual benefits paid	(10,583)	(7,116)
Actuarial loss/(gain) arising from:-		
Changes in financial assumptions	164	241
Experience	(1,451)	(614)
At the end of the Period	<u>38,446</u>	<u>47,885</u>

Movement in scheme assets:-

The following table indicates the approximate change in the defined benefit obligation as at 31<sup>st</sup> December, 2015 in response to reasonably possible changes in the significant actuarial assumptions to which the defined benefit obligation is most sensitive.

	2015 HKD'000	2014 HKD'000
At the beginning of the Period	46,603	53,569
Contributions paid to the scheme	903	1,220
Interest income on scheme assets	638	834
Actual benefits paid	(10,583)	(7,116)
Return on scheme assets	(1,738)	(1,904)
At the end of the Period	<u>35,823</u>	<u>46,603</u>

Amounts recognised in statement of comprehensive income is as follows:-

	2015 HKD'000	2014 HKD'000
Current service cost	1,781	2,129
Net interest on net defined benefit obligation	12	(28)
Components of defined benefit costs recognised in profit or loss	<u>1,793</u>	<u>2,101</u>
Actuarial loss/(gain) arising from:-		
Experience	(1,451)	(614)
Change in financial assumption	164	241
Return on scheme assets	1,738	1,904
Components of defined benefit costs recognised in other comprehensive income	<u>451</u>	<u>1,531</u>
Total	<u>2,244</u>	<u>3,632</u>

The principal actuarial assumptions used are as follows:-

	<u>2015</u>	<u>2014</u>
Discount rate	<u>1.2%</u>	<u>1.5%</u>
Future salary increases	<u>2.75%</u>	<u>3.0%</u>

The scheme has a benchmark asset mix of 61% (2014: 61%) in equities, 7% (2014: 4%) in cash and 32% (2014: 35%) in fixed income securities.

The following table indicates the approximate change in the defined benefit obligation as at 31<sup>st</sup> December, 2015 in response to reasonably possible changes in the significant actuarial assumptions to which the defined benefit obligation is most sensitive.

#### 2015

<u>Assumption</u>	<u>Adopted rate</u>	<u>Increase/(Decrease) to adopted rate</u>	<u>Decrease/(Increase) in deferred benefit obligation</u>	
			<u>HKD'000</u>	<u>%</u>
Discount rate	1.2%	0.25%	468	1.2%
		(0.25%)	(479)	(1.2%)
Long-term salary increase rate	2.75%	0.25%	(407)	(1.1%)
		(0.25%)	400	1.0%

#### 2014

<u>Assumption</u>	<u>Adopted rate</u>	<u>Increase/(Decrease) to adopted rate</u>	<u>Decrease/(Increase) in deferred benefit obligation</u>	
			<u>HKD'000</u>	<u>%</u>
Discount rate	1.50%	0.25%	600	1.3%
		(0.25%)	(614)	(1.3%)
Long-term salary increase rate	3.00%	0.25%	(525)	(1.1%)
		(0.25%)	516	1.1%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

The costs of benefits are jointly funded by the Company and the members. Members' contributions are based on a fixed percentage of basic salary as stipulated by the rules of the defined benefit scheme. The Company's contributions are determined with reference to the funding valuation carried out by the defined benefit scheme's actuary in accordance with the ORSO requirements. The last funding valuation of the defined benefit scheme was carried out as at 31<sup>st</sup> December, 2015.

The Company expects to contribute HKD646,000 (2014: HKD893,000) to defined benefit retirement plans in the coming year.

The weighted average duration of the defined benefit obligation is 5 years (2014: 5.1 years) and the expected undiscounted benefit payments from the scheme are as follows:-

	Less than a year HKD'000	Between 1-2 years HKD'000	Between 2-5 years HKD'000	Between 5-10 years HKD'000	Over 10 years HKD'000	Total HKD'000
Benefit payments	9,368	3,045	6,708	23,556	7,944	50,621

Through its defined benefit scheme, the Company is exposed to a number of risks, the most significant of which are detailed below:-

- Investment risk** The present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate bond yield; if the return on plan asset is below this rate, it will create a plan deficit. Currently the scheme assets are invested in a diversified portfolio of equities, fixed income securities and cash. The diversification of asset classes helps to reduce the concentration of risk associated with the defined benefit scheme investments.
- Interest rate risk** The defined benefit obligation is calculated using a discount rate based on market bond yield. A decrease in the bond yields will increase the defined benefit obligation.
- Salary risk** The defined benefit obligation is calculated with reference to the future salaries of members because the defined benefit scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation

#### 11. Significant Leasing Commitments

At the balance sheet date, the significant total future operating leasing expenses for land and buildings, rounded to the nearest thousand, are payable as follows:-

	2015 HKD'000	2014 HKD'000
Within 1 year	6,152	5,864
After 1 year but within 5 years	1,389	1,721
	<u>7,541</u>	<u>7,585</u>

## 12. Funds Management

The Company funds management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debts and funds. The Company monitors funds on the basis of the net debt-to-adjusted funds ratio, which is calculated as net debt over adjusted funds. Net debt is calculated as total debt (which includes trade and other payables, borrowings and derivative financial instruments) plus unaccrued proposed dividends, less time deposits with a maturity period of three months or less, cash and bank balances. Adjusted funds comprise all components of funds.

The net debt-to-adjusted funds ratios are as follows:-

	2015 HKD'000	2014 HKD'000
Total debts	2,386	2,797
Cash and bank balances	(7,008)	(2,551)
Net debt	<u>(4,622)</u>	<u>246</u>
Adjusted funds	<u>730,108</u>	<u>539,024</u>
Net debt-to-adjusted funds ratio	<u>N/A</u>	<u>0.001</u>

As cash and bank balances exceeded total debts in 2015, the net debt-to-adjusted funds ratio was not applicable for 2015.

## 13. Liquidity Risks

Policies are established to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the shorter and longer term.

Details of the remaining contractual maturities of the financial liabilities of the Church as at the balance sheet date were as follows:-

	2015 HKD'000	2014 HKD'000
Total amounts of contractual undiscounted obligations:-		
Creditors and accruals	<u>2,386</u>	<u>2,797</u>
Due for payment:-		
Within 1 year	<u>2,386</u>	<u>2,797</u>

## 14. Currency Risks

Currency risks are risks that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

As a result of the international operations, there is exposure to foreign currency risks. The management ensures that the net exposure is kept to an acceptable level and will consider appropriate hedging measures where necessary.

Carrying amounts of financial assets and financial liabilities as at the balance sheet date that exposed to currency risks were as follows:-

	2015 <u>HKD'000</u>	2014 <u>HKD'000</u>
Financial assets denominated in foreign currencies:-		
Long-term inter-church receivables	<u>20,072</u>	<u>22,714</u>
The financial assets were denominated in the following foreign currencies:-		
Thailand baht	<u>20,072</u>	<u>22,714</u>

The Company's management forecasted that the foreign currency exchange rate for Thailand baht would not have significant fluctuation over the period until the next annual balance sheet date and the impact of the abovementioned currency risks on the Company's income and operating cash flows will not be significant.

15. Interest Rate Risks

Interest rate risks are risks that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

As the Company has no significant interest-bearing asset or liabilities, the Company's surplus and operating cash flows are substantially independent of changes in market interest rates.

16. Market Price Risks

Market price risks are risks that fair value or future cash flows of financial instruments traded in the market will fluctuate because of changes in market prices.

As the Company has no significant equity investments, the Company's results for the Period and accumulated funds are substantially independent of changes in market prices.

17. Comparative Figures

Comparative amounts have been revised in order to achieve a consistent presentation.

18. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 19<sup>th</sup> August, 2016.

19. Property, Plant and Equipment

<u>2015</u>	<u>Leasehold land and buildings HKD'000</u>	<u>Furniture &amp; fixtures HKD'000</u>	<u>Data processing equipment HKD'000</u>	<u>Motor vehicles HKD'000</u>	<u>Total HKD'000</u>
<u>Cost</u>					
Balance b/f	1,676,582	42,691	4,365	2,510	1,726,148
Additions	222,274	159	0	0	222,433
Balance c/f	<u>1,898,856</u>	<u>42,850</u>	<u>4,365</u>	<u>2,510</u>	<u>1,948,581</u>
<u>Accumulated depreciation</u>					
Balance b/f	1,372,037	41,801	4,365	1,931	1,420,134
Charge for the Period	32,217	481	0	289	32,987
Balance c/f	<u>1,404,254</u>	<u>42,282</u>	<u>4,365</u>	<u>2,220</u>	<u>1,453,121</u>
Net book value	<u>494,602</u>	<u>568</u>	<u>0</u>	<u>290</u>	<u>495,460</u>

19. Property, Plant and Equipment (Continued)

<u>2014</u>	<u>Leasehold land and buildings HKD'000</u>	<u>Furniture &amp; fixtures HKD'000</u>	<u>Data processing equipment HKD'000</u>	<u>Motor vehicles HKD'000</u>	<u>Total HKD'000</u>
<u>Cost</u>					
Balance b/f	1,658,779	42,030	4,365	2,217	1,707,391
Additions	17,803	661	0	868	19,332
Disposals	0	0	0	(575)	(575)
Balance c/f	<u>1,676,582</u>	<u>42,691</u>	<u>4,365</u>	<u>2,510</u>	<u>1,726,148</u>
<u>Accumulated depreciation</u>					
Balance b/f	1,350,449	40,923	4,365	2,205	1,397,942
Charge for the period	21,588	878	0	301	22,767
Written back on disposals	0	0	0	(575)	(575)
Balance c/f	<u>1,372,037</u>	<u>41,801</u>	<u>4,365</u>	<u>1,931</u>	<u>1,420,134</u>
Net book value	<u>304,545</u>	<u>890</u>	<u>0</u>	<u>579</u>	<u>306,014</u>